

Message Text

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USIA-15 PRS-01 PM-07 INT-08 NSCE-00 DRC-01 IO-15 CU-04

NIC-01 SCEM-02 /218 W

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R 110155Z OCT 73

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 8417

USLO PEKING

C O N F I D E N T I A L SECTION 1 OF 3 HONG KONG 10197

POUCHED: BANGKOK, BRISBANE, CANBERRA, JAKARTA, KUALA
LUMPUR, MANILA, MOSCOW, OTTAWA, RANGOON,
ROME (2), SINGAPORE, TAIPEI, TOKYO, VIENTIANE,
WELLINGTON, COMUSTDC

E.O. 11652: GDS

TAGS: ECRP CH XX

SUBJ: PEOPLE'S REPUBLIC OF CHINA ECONOMIC REVIEW 20

REF: CERP 0003

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1. SUMMARY

THE NEWS STORIES RELEASED AROUND NATIONAL DAY INCLUDE A MIXTURE OF THE DISINGENUOUS (POPULATION IS OVER 700 MILLION), THE FACADE OF A CONTINUOUSLY RISING TREND (AGRICULTURAL AND INDUSTRIAL OUTPUT GROWTH CLAIMS THAT IGNORE DOWNTURNS), THE GENUINE IMPORTANCE OF SMALL AND MEDIUM SCALE PLANTS (THEY ARE SAID TO ACCOUNT FOR ABOUT HALF OF THE NATIONAL OUTPUT OF NITROGENOUS FERTILIZER, SULPHURIC ACID, CASUTIC SODA, CALCIUM CARBIDE AND POLY-ETHYLENE, AND THE UPWARD REVISION OF ESTIMATES OF CHINA'S MINERAL RESERVES (E.G. IRON ORE UP BY 50 PERCENT, COAL 58 AND COPPER, 65). ALSO, A KNOWLEDGEABLE PRC OFFICIAL TOLD SOME JAPANESE VISITORS THAT THIS YEAR'S WINTER WHEAT AND EARLY RICE WERE BETTER THAN BOTH 1972 AND 1971 (AN ASSESSMENT CLOSE TO OUR OWN, SEE ITEM 2). HARD ON THE HEELS OF RECENT REPORTS OF ONSHORE OIL DISCOVERIES HAS COME NEWS OF SIGNIFICANTLY INCREASED CHINESE INTEREST IN OFFSHORE OIL TECHNOLOGY AND EQUIPMENT. MOST OF THE REPORTS DEAL WITH PURCHASING FROM JAPAN AND CREATE AN IMPRESSION OF RATHER CLOSE COOPERATION IN THIS FIELD (ITEM 4). DESPITE THESE SUGGESTIONS OF PROGRESS AND OF PROMISE FOR THE FUTURE, THE NATIONAL DAY EDITORIAL AVOIDED BOTH ECONOMIC AND SOCIAL POLICY.

SYMPTOMATIC OF SINO-JAPANESE ECONOMIC TIES ONE YEAR AFTER THE NORMALIZATION OF RELATIONS, HOWEVER, ARE NOT ONLY THE SUCCESSES, NOTABLY INCREASES IN IMPORTS AND EXPORTS, BUT ALSO THE STICKING POINTS. AN AVIATION PACT STILL ELUDES AGREEMENT (ITEM 6). THE SIGNING OF A LARGE CONTRACT FOR A STEEL MILL, SCHEDULED FOR THE ANNIVERSARY WHEN THE CHINESE AT THE LAST MINUTE ASKED FOR PRICE DECREASE. THE SYMBOLIC MOMENT--BUT PROBABLY NOT THE SALE-- WAS LOST.

ELSEWHERE, THE PRC KEPT UP THE MOMENTUM OF DEEPENING ITS ECONOMIC RELATIONS WITH FOREIGN COUNTRIES. PEKING SIGNED CONFIDENTIAL

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A TRADE AGREEMENT WITH NEW ZEALAND (ITEM 8), AND SEEMS ON THE POINT OF DOING THE SAME WITH CANADA DURING THE TRUDEAU VISIT (ITEM 9). RETURNING TO THE STYLE OF ITS GRAIN PURCHASES IN THE 1960'S, THE PRC HAS SIGNED A THREE-YEAR WHEAT AGREEMENT WITH CANADA (ITEM 9) AND APPARENTLY WILL CONTINUE SIMILAR DISCUSSIONS WITH AUSTRALIA (ITEM 10). MEANWHILE IN THE FINANCIAL FIELD, THE PRC MADE A SURPRISING BUT SOMEWHAT AMBIGUOUS MOVE. THE PRC FOREIGN MINISTER SENT CABLES TO THE IMF AND IBRD ON SEPTEMBER 25 CALLING FOR IMPLEMENTATION "TO THE FULLEST EXTENT" OF THE UNGA'S 1971 RESOLUTION ON CHINESE REPRESENTATION. HARDLY NORMAL APPLICATIONS FOR MEMBERSHIP, BY THEIR CONTENT, CONTEXT AND TIMING, THE CABLES APPEARED

MORE DESIGNED TO EFFECT TAIWAN'S OUSTER THAN PEKING'S ENTRY (HK 9738). CONFIDENTIAL

2. GRAIN HARVEST PROSPECTS ARE UP
TING CHUNG, AN OFFICIAL IN THE MINISTRY OF AGRICULTURE AND FORESTRY, TOLD A GROUP OF JAPANESE FARM NEWS REPORTERS IN PEKING THAT " THE OUTLOOK IS NOT ONLY FOR DOING BETTER THAN LAST YEAR BUT EVEN BETTER THAN IN 1971" (UPI OCTOBER 1 QUOTING A KYODO DISPATCH FROM PEKING). USING THE FIGURES THAT CHOU EN-LAI USED LAST YEAR, TING SAID THAT CHINA REAPED A RECORD HARVEST OF 250 MILLION METRIC TONS (MZ) OF GRAIN AND POTATOES IN 1971 BUT DROPPED BACK

TO 240 MILLION MT IN 1972 BECAUSE OF NATURAL DISASTERS. AFTER SAYING THAT THERE WERE FURTHER NATURAL DISASTERS THIS YEAR (OVER LAST YEAR'S), TING NONETHELESS SAID THE PRC'S SPRING RICE CROP THIS YEAR WAS BETTER THAN IN 1971 AND "CONDITIONS FOR THE AUTUMN HARVEST IN THE NORTH ALSO ARE BETTER".

THIS ASSESSMENT FITS CLOSELY WITH OUR OWN. AS PREVIOUSLY REPORTED, THIS YEAR'S WINTER WHEAT AND EARLY RICE HARVESTS WERE PROBABLY LARGER THAN IN 1972, WHICH IN TURN HAD BEEN AS GOOD OR MARGINALLY BETTER THAN 1971. NOT ONLY WAS ACERAGE INCREASED IN 1973 BUT ALSO THE WEATHER WAS RELATIVELY BETTER THAN IN 1972. THESE COMBINED WITH EXTENSIVE USE OF MANURE AND MORE INTENSE APPLICATION OF MANPOWER AND MANAGEMENT HAVE PROBABLY INCREASED TOTAL YIELDS AND EVEN PER UNIT YIELDS IN SOME PLACES.
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AS FOR THE AUTUMN HARVEST IN THE NORTH THIS YEAR, WE WOULD NOTE THAT THE WEATHER IN THE NORTH HAS BEEN GENERALLY NORMAL AND CLEARLY BETTER THAN LAST YEAR--AND THAT EARLIER EXPRESSIONS OF ANXIETY HAVE NOT BEEN HEARD IN PEKING LATELY (PEKING 1117). ACREAGE, PARTICULARLY IRRIGATED ACEAGE, OF AUTUMN GRAIN CROPS HAD BEEN EXPANDED AGAIN THIS YEAR. SO, ASSUMING THAT THE WEATHER HOLDS FOR THE NEXT WEEK OR TWO WITHOUT BAD FROSTS, THE PROSPECTS DO IN FACT APPEAR GOOD.

TURNING TO THE SOUTH WHERE THE WEATHER HAS SEEMED TO US MORE PROBLEMATIC, TING SAID ONLY THAT THE PROSPECTS FOR THE AUTUMN RICE CROP ALSO LOOK GOOD. WEATHER REMAINS THE CRITICAL FACTOR FOR THE NEXT SEVERAL WEEKS. SEASON-ABLY WARM, SUNNY WEATHER COULD PRODUCE A FINE RICE CROP WHEREAS COOL, GREY, DAMP WEATHER COULD LOWER YIELDS BY STUNTING THE RIPENING OF THE RICE PLANT. UNCLASSIFIED

3. PERSONNEL: MORE OF THE TRIED AND TRUE RETURN
THE ARRIVAL IN PEKING ON SEPTEMBER 28 OF A DELEGATION LED BY THE CHAIRMAN OF THE NATIONAL IRANIAN OIL COMPANY SEEMS TO HAVE TIPPED KANG SHIH-EN AS A LEADING CANDIDATE TO BY PRC'S MINISTER OF FUEL AND CHEMICAL INDUSTRIES, A

POSITION THAT APPARENTLY HAS BEEN VACANT SINCE THE MINISTRY'S FORMATION THROUGH MERGER IN 1970. KANG WAS IDENTIFIED ONLY AS A "LEADING MEMBER" OF THE MINISTRY, BUT HE WAS LISTED AHEAD OF THREE OTHER VICE MINISTERS, SUGGESTING THAT HE OUTRANKS THEM. THEN A VM--AND FOR A TIME, THE ACTING MINISTER--OF PETROLEUM INDUSTRY, KANG WAS DENOUNCED IN 1967 ALON
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COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 AGR-20 CAB-09 DODE-00 FAA-00 PA-03

USIA-15 PRS-01 PM-07 INT-08 IO-15 CU-04 NIC-01 NSCE-00

DRC-01 SCEM-02 /218 W
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R 110155Z OCT 73
FM AMCONSUL HONG KONG
TO SECSTATE WASHDC 8418
USLO PEKING

C O N F I D E N T I A L SECTION 2 OF 3 HONG KONG 10197

POUCHED: BANGKOK, BRISBANE, CANBERRA, JAKARTA, KUALA
LUMPUR, MANILA, MOSCOW, OTTAWA, RANGOON,
ROME (2), SINGAPORE, TAIPEI, TOKYO, VIENTIANE,
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4. PETROLEUM: TACHING AND THE POHAI
AN AUSTRALIAN REPORTER WHO VISITED TACHING RECENTLY WAS TOLD THAT ITS REFINERY CAPACITY IS NOW FIVE MILLION TONS PER YEAR. HE WAS ALSO QUOTED AS SAYING THAT OIL FROM TACHING IS BEING TRANSPORTED TO THE PEKING PETROCHEMICAL COMPLEX WHOSE REFINING CAPACITY IS 2.5 MILLION TONS A YEAR (HK TA KUNG PAO, SEPTEMBER 20). IF TRUE, THIS INDICATES SUBSTANTIAL EXPANSION OF THE TACHING REFINERY,
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WHICH WAS REPORTED AS HAVING A FOUR MILLION TON CAPACITY JUST SIX MONTHS AGO (HK TA KUNG APO, MARCH 6). THE CHINESE HAVE CONTACTED A NUMBER OF JAPANESE FIRMS ABOUT BUYING OFFSHORE OIL EQUIPMENT AND TECHNOLOGY. NEGOTIATIONS WITH MITSUBISHI AND NIPPON STEEL ARE EXPECTED TO OPEN IN CANTON AFTER NOVEMBER 1, AND THE TECHNOLOGY AND EQUIPMENT, INCLUDING PIPELINE AND A SHIP FOR LAYING PIPE, COULD BE WORTH \$80-120 MILLION (HK 9788; TOKYO 12614). NOT ONLY ARE THE CHINESE INTERESTED IN PURCHASING FIVE SUPPLY VESSELS FROM HITACHI FOR USE IN OFFSHORE OIL EXPLORATION (HK 9788), BUT THEY HAVE ALSO CONTACTED THE JAPAN OIL DEVELOPMENT CORPORATION AND MITSUBISHI ABOUT BUYING TWO MORE OIL DRILLING SHIPS COSTING SOME 11 BILLION YEN (\$41 MILLION), AND MITSUBISHI EXPECTS TO SEND A LARGE TECHNICAL MISSION SOON, PRESUMABLY TO CANTON (UPI TOKYO, OCTOBER 3).

ON OCTOBER 2 THE SOMETIMES SENSATIONAL CHINA MAIL REPORTED THAT THE OFFSHORE DRILL RIG "FUJI" HAD SUCCEEDED IN STRIKING OIL IN THE POHAI GULF WITHOUT PROVIDING ANY FURTHER DETAILS. A WEEK EARLIER ONE JAPANESE CONGENOFF HAD SPECULATED TO US THAT THE CHINESE HAD FOUND HUGE OIL DEPOSITS IN THE POHAI AND WERE FORCED TO TURN TO JAPAN FOR ASSISTANCE IN DEVELOPING THEM BECAUSE OF THEIR OWN LIMITED CAPABILITY. ATTEMPTS TO CONFIRM THIS DEVELOPMENT WITH ONE OF THE ECONOMIC OFFICERS BROUGHT THE FLAT STATEMENT THAT THE CONGEN HAD RECEIVED NO REPORTS TO SUBSTANTIATE THAT IDEA. IN THIS CONNECTION, HOWEVER, LOCAL US OIL COMPANY EXECUTIVE SAID THAT "PIPELINE FACILITIES"--AMONG THE SUBJECTS TO BE DISCUSSED AT CANTON, ACCORDING TO TOKYO 12614--WOULD MORE LIKELY BE NEEDED FOR THE DEVELOPMENT, RATHER THAN THE EXPLORATION, OF OIL RESERVES. CONFIDENTIAL

5. PRC-JAPAN: ONE YEAR LATER
CELEBRATING THE FIRST ANNIVERSARY OF THE NORMALIZATION OF RELATIONS ON SEPTEMBER 29 WITH A ROUND OF RECEPTIONS, SPEECHES AND MESSAGES (HK 10042), JAPANESE AND CHINESE LEADERS COULD LOOK BACK ON A YEAR FILLED WITH ECONOMIC SUCCESSES YET MARRED BY SOME SHORTCOMINGS, BY THE END OF AUGUST BILATERAL TRADE HAD REACHED \$1.2 BILLION, A 76 PERCENT INCREASE ON THE SAME PERIOD IN 1972 (AFP TOKYO, SEPTEMBER CONFIDENTIAL

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29). HOWEVER, FOUR MAJOR GOVERNMENTAL PACTS ON TRADE, AVIATION, SHIPPING AND FISHERIES STILL APPEAR FAR FROM AGREEMENT. (AGAIN, IN A MAJOR CONTRACT, CHINA AGREED IN PRINCIPLE TO PURCHASE A \$377 MILLION STEEL MILL FROM TWO JAPANESE COMPANIES, BUT THEN THE SIGNING CEREMONIES SCHEDULED--SYMBOLICALLY?--FOR SEPTEMBER 29 HAD TO BE PUT OFF WHEN THE CHINESE SOUGHT A FURTHER PRICE REDUCTION AT

THE LAST MINUTE (HK 10056). CONFIDENTIAL
ANOTHER INDEX, THE FLOW OF DELEGATIONS, REMAINS HIGH.
ON OCTOBER 8, A CCPIT DELEGATION LED BY LIU HSI-WEN PAID A
FAREWELL CALL ON ACTING JAPANESE PRIME MINISTER TAKEO MIKI
CONCLUDING A HIGHLY SUCCESSFUL MONTH-LONG "FRIENDSHIP"
TOUR OF JAPAN (ER 19, HK 9654). OF SPECIAL INTEREST
WAS AN AGREEMENT REACHED BETWEEN THE MITSUBISHI GROUP
AND THE CHINESE DELEGATION FOR AN EXCHANGE OF TECHNICAL
MISSIONS IN AGRICULTURE, PETROCHEMICALS, MACHINERY,
COMMUNICATIONS AND HARBOR FACILITIES (JAPAN TIMES, OCT. 2).
COINCIDING WITH THE CCPIT DELEGATION, A PRC FORESTRY STUDY
GROUP (NCNA, SEPT. 21), INDUSTRIAL STANDARDS DELEGATION
(NCNA, SEPT. 229) AND A PRINTING INDUSTRY DELEGATION (NCNA,
SEPT. 24) ALSO VISITED JAPAN. IN RETURN, A JAPANESE TRADE
UNION DELEGATION (NCNA, SEPT. 21) AND A MOTOR VEHICLE
TECHNICAL EXCHANGE DELEGATION (NCNA, SEPT. 22) VISITED CHINA.
(IN THE VEHICLE FIELD JAPAN MAY FACE COMPETITION FROM THE
UK FOR THE SOCIETY OF MOTOR MANUFACTURERS AND TRADERS HAS
JUST ANNOUNCED THAT A DELEGATION TO EXPLORE TRADE AND
TECHNICAL COOPERATION WILL VISIT THE PRC FOR TWO WEEKS
BEGINNING NOVEMBER 3.) UNCLASSIFIED
IN WHAT MAY BE AN INDICATION OF INCREASED PRC ATTEN-
TION TO THAT SECTOR, A CHINESE DELEGATION REPORTEDLY WILL
SOON VISIT JAPAN TO STUDY ITS RAILWAY EQUIPMENT, ORGANIZA-
TION AND TECHNOLOGY WITH A VIEW TO IMPROVING THE CHINESE
RAILWAY SYSTEM. ALTHOUGH PRC STUDY MISSIONS DO NOT
NORMALLY SIGN CONTRACTS, THEY HAVE IN THE PAST OFTEN BEEN
A PRELIMINARY TO SUCH PURCHASES IN THAT THEY EVALUATE AND
RECOMMEND CERTAIN EQUIPMENT AND BRANDS ON THEIR TECHNICAL
ASPECTS. UNCLASSIFIED

6. AVIATION: JAPAN, CANADA

THE IMPASSE ON SINO-JAPANESE AIR TALKS APPARENTLY
CONTINUES. A 70-MEMBER JAPANESE DIET GOODWILL MISSION
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WHICH REPORTEDLY WAS EXPECTED TO INFORMALLY SOUND OUT THE
ROC ON THE POSSIBILITY OF MEETING PRC DEMANDS (TOKYO
12669), APPARENTLY MET A STIFF RECEPTION IN TAIPEI, AT
LEAST IN PUBLIC. A JAPANESE CONGENOFF SAID OCTOBER 2 HE
DOUBTED THE ROC WOULD AGREE EITHER TO CHANGE THE NAME
OF CHINA AIRLINES (CAL) OR REMOVE THE ROC FLAG FROM CAL
AIRCRAFT, BUT MIGHT AGREE TO SUSPEND CAL FLIGHTS INTO
OSAKA AND USE HANEDA AIRPORT SINCE THIS MIGHT NOT AFFECT
CAL'S OPERATIONS OR PROFITABILITY. HE WAS SKEPTICAL ABOUT
THE CHANCES OF AN EARLY AGREEMENT, BUT TOKYO PRESS STATES
THAT JAPAN PLANS TO CONCLUDE A COMMERCIAL AIR TREATY WITH
THE PRC DURING THE VISIT OF FOREIGN MINISTER OHIRA TO
PEKING NEXT MONTH. IT WOULD BE ON THE BASIS OF JAPANESE
RECOGNITION OF TAIWAN AS PART OF CHINA, PEKING'S APPROVAL
OF JAL FLIGHTS TO TAIWAN, AND TACIT APPROVAL OF CAL
FLIGHTS TO JAPAN (UPI TOKYO, OCTOBER 4).

IF TAIPEI MAKES ANY CONCESSION, THE BALL WOULD GO BACK TO PEKING'S COURT. PEKING'S WILLINGNESS TO COMPROMISE WOULD THEN SEEM TO DEPEND ON THE RELATIVE STRENGTHS OF SUCH FACTORS AS THE "TWO CHINAS" AND FLAG QUESTIONS, THE PRC'S OWN INTEREST IN AND ABILITY TO UNDERTAKE AIR SERVICE TO TOKYO AND BEYOND, AND PEKING'S INTEREST IN CONTINUING AND INCREASING THE MOMENTUM IN DEVELOPING ECONOMIC RELATIONS WITH JAPAN.

MEANWHILE, A CANADIAN PACIFIC AIR LINES TECHNICAL TEAM FROM OTTAWA LEFT HONG KONG OCTOBER 5 FOR PEKING TO WORK OUT DETAILS WITH CHINESE OFFICIALS FOR AIR SERVICE BETWEEN CANADA AND CHINA UNDER THE JUNE 1973 AIR AGREEMENT. A CANADIAN COMMISSION SOURCE TOLD US HE UNDERSTANDS THAT THE PRESENT CANADIAN DISPOSITION CONTINUES TO BE TO WAIT UNTIL THE CHINESE AND JAPANESE REACH AGREEMENT, THUS OPENING THE WAY FOR CP AIR TO LAND IN JAPAN, RATHER THAN TO CONSIDER DIRECT FLIGHTS BETWEEN CHINA AND CANADA VIA ANCHORAGE. CONFIDENTIAL

7. PORTS AND SHIPPING

ALTHOUGH THE HONG KONG ENGLISH PRESS PLAYED UP THE VISIT OF JOHN LUNCH, DIRECTOR GENERAL OF THE PORT OF LONDON AUTHORITY, TO CHINA SEPTEMBER 8 TO 20, IT RECEIVED SCANT ATTENTION IN THE LOCAL CHINESE COMMUNIST PRESS. AS A RESULT OF TALKS IN PEKING, LONDON WILL OPEN A SPECIAL CHINA CONFIDENTIAL

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TERMINAL ON JANUARY 1, 1974, TO HANDLE CHINESE VESSELS AND CARGO, IN HOPES OF THUS INCREASING THE SHARE OF SINO-UK TRADE ENTERING THE UK DIRECTLY AND REDUCING THE SHARE SHIPPED TO THE UK VIA EUROPE. TURNING TO THE PRC'S OWN FACILITIES, LUNCH SAID IN HONG KONG THAT CHINA PROBABLY WOULD NOT BE READY TO USE CONTAINERS FOR SOME YEARS TO COME BUT WOULD CONTINUE TO ACQUIRE CONVENTIONAL SHIPS VIA DOMESTIC CONSTRUCTION AND CHARTER OF FOREIGN FLAT VESSELS. HE EXPECTED THAT EMPHASIS WOULD BE ON PALLETIZATION, WHICH IS NOT CONSIDERED WIDESPREAD IN CHINA YET. HE ALSO COMMENTED THAT THE PRC'S PORT HANDLING METHODS WERE COMPARABLE TO THOSE IN LONDON SOME 15 YEARS AGO. IN THIS CONNECTION WE NOTE THAT THE PRC HAS ORDERED FROM MITSUBISHI TWO SHIPS EACH EQUIPPED WITH A FULLY-REVOLVING 200-TON CRANE, WORTH A TOTAL OF ABOUT \$7 MILLION. WHILE THE COMPANY HAD NOT BEEN INFORMED HOW THE VESSELS WOULD BE USED, A SPOKESMAN SPECULATED THEY MIGHT BE INVOLVED IN HARBOR IMPROVEMENT PROJECTS (UPI TOKYO, SEPTEMBER 30). THAT WOULD CERTAINLY FIT WITH OTHER CHINESE PURCHASES AND PREMIER CHOU'S REMARKS TO A GERMAN GROUP EARLIER THIS YEAR (ER 14, HK 7104). UNCLASSIFIED

CONFIDENTIAL

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COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 AGR-20 CAB-09 DODE-00 FAA-00 PA-03

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TO SECSTATE WASHDC 8419

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C O N F I D E N T I A L FINAL SECTION OF 3 HONG KONG 10197

8. NEW ZEALAND: FIRST TRADE AGREEMENT SIGNED
CHINA AND NEW ZEALAND CONCLUDED THEIR FIRST TRADE
AGREEMENT IN PEKING ON OCTOBER 9 (NCNA). SIGNED BY NZ
MINISTER FOR OVERSEAS TRADE J.A. WALDING AND FOREIGN TRADE
MINISTER PAI HSIANG-KUO, THE AGREEMENT WAS FINALIZED
DURING THE VISIT OF A 30-MEMBER NZ TRADE DELEGATION WHICH
ARRIVED IN PEKING OCTOBER 4. THE DELEGATION VISIT IS AIMED
PRIMARILY AT FAMILIARIZING NZ BUSINESS LEADERS WITH TRADE
OPPORTUNITIES WITH THE PRC AND, TO DATE, THEY HAVE MET
SEPARATELY WITH FTM PAI, THE FOREIGN MINISTER AND LI HSIEN-
NIEN. NO DETAILS OF THE AGREEMENT WERE PUBLISHED.

UNCLASSIFIED

ACCORDING TO HONG KONG NZ COMMISSION SOURCES, THE
TEXT OF THE AGREEMENT, WHICH INCLUDES MFN, WAS AGREED
TO PRIOR TO THE VISIT AND ALTHOUGH EACH SIDE HAD MINOR
CHANGES, NO DIFFICULTIES IN FORMALIZING THE AGREEMENT
WERE ANTICIPATED. THE EFFECT OF THE NEW PACT ON BILATERAL
TRADE WILL BE LIMITED, HOWEVER, AS PRC GOODS ALREADY
ENJOY MFN TREATMENT AND POTENTIAL OPPORTUNITIES FOR
CONFIDENTIAL

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INCREASED TRADE ARE LIMITED. IN 1972 SINO-NZ TRADE AMOUNTED
TO ONLY \$8.4 MILLION. ALSO OF INTEREST IS AN UNUSUAL
CHINESE INVITATION FOR A FEW MEMBERS OF THE DELEGATION TO
VISIT INNER MONGOLIA TO INSPECT GRAZING LAND NEAR THE
PROVINCIAL CAPITAL OF HUHEHAOTE. THE DELEGATION'S VISIT
IS IN RETURN FOR AN AUGUST VISIT TO NEW ZEALAND BY FTM
PAI (ER 16 HK 8028). CONFIDENTIAL

9. CANADA: WHEAT, SCIENTIFIC AND TRADE AGREEMENTS
 IN A PRELUDE TO PRIME MINISTER TRUDEAU'S PEKING
 VISIT, CANADA ANNOUNCED ON OCTOBER 5 THE SIGNING OF A THREE
 YEAR WHEAT AGREEMENT WITH THE PRC. PROVIDING FOR TOTAL
 DELIVERY OF 4.9 TO 6.1 MILLION MTS WITH AN ESTIMATED VALUE
 OF \$1 BILLION, THE AGREEMENT WAS NEGOTIATED DURING A TWO
 WEEK VISIT TO PEKING BY THE CANADIAN WHEAT BOARD (OTTAWA
 2408). IN PEKING, TRUDEAU IS EXPECTED TO FINALIZE AND
 SIGN A SERIES OF AGREEMENTS ON SCIENTIFIC EXCHANGES
 NEGOTIATED BY A 14-MEMBER CANADIAN SCIENTIFIC GROUP LED
 BY MINISTER OF STATE FOR SCIENCE AND TECHNOLOGY MRS.
 JEANNE SAUVE THAT DEPARTED CHINA ON OCTOBER 4 (NCNA).
 TRUDEAU MAY ALSO SIGN CANADA'S FIRST TRADE AGREEMENT
 WITH THE PRC. A TEAM OF GOC OFFICIALS LEFT OTTAWA FOR
 CHINA OCTOBER 3 TO CONTINUE TALKS ON A TRADE AGREEMENT,
 HOPEFULLY TO BE CONCLUDED DURING THE PM'S VISIT (OTTAWA
 2289, 2371). IN 1972, CANADA EMERGED AS CHINA'S THIRD
 LARGEST TRADE PARTNER WHEN TWO-WAY TRADE REACHED \$310.6
 MILLION. IN THE FIRST SIX MONTHS OF 1973, TRADE WAS
 ESTIMATED AT \$205 MILLION AND, FOLLOWING THESE AGREEMENTS,
 SHOULD CONTINUE TO INCREASE THROUGH 1974. LIMITED OFFICIAL
 USE

10. AUSTRALIA: NEARER TO A WHEAT AGREEMENT?
 STOPPING OFF IN PEKING AFTER A VISIT TO NORTH KOREA,
 AUSTRALIA'S MINISTER FOR OVERSEAS TRADE J.F. CAIRNS MET
 SEPARATELY WITH FOREIGN MINISTER CHI PENG-FEI AND FOREIGN
 TRADE MINISTER PAI HSIANG-KUO BEFORE RETURNING HOME VIA
 HONG KONG. IN A COLONY PRESS CONFERENCE, CAIRNS STATED
 THAT AUSTRALIA WOULD SOON SIGN A THREE YEAR WHEAT AGREE-
 MENT WITH CHINA INVOLVING A TOTAL OF 4.5 TO 4.8 MILLION
 TONS VALUED AT \$450 MILLION " OF WHICH NO MORE THAN ONE
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MILLION TONS WOULD BE SUPPLIED THIS YEAR" (HK 9840). CAIRNS
 SAID HIS TALKS WITH PAI CONCERNED THE "EARLY ARRIVAL OF THE
 AUSTRALIAN WHEAT BOARD," CONTRACTS FOR IRON AND STEEL
 IMPORTS AND THE CURRENT STATE OF BILATERAL TRADE RELATIONS
 (HK STANDARD, SEPTEMBER 29). TALKS BETWEEN THE WHEAT BOARD
 AND THE PRC ON THE WHEAT AGREEMENT BEGAN FOLLOWING
 CAIRNS' INITIAL VISIT TO PEKING IN MAY (ER 10, HK 5047).
 ACCORDING TO AN AUSTRALIAN COMMISSION SOURCE, ANOTHER
 WHEAT BOARD VISIT TO PEKING, SCHEDULED FOR EARLY OCTOBER,
 WILL BE REQUIRED BEFORE THE AGREEMENT IS ACTUALLY SIGNED.
 THE ONE MILLION TONS MENTIONED BY CAIRNS REFERS TO SHIP-
 MENTS FROM THE 1973/74 CROP TO BE HARVESTED BEGINNING IN
 COTOBER AND SHIPPED IN 1974. FIRST SHIPMENTS UNDER THE
 PROPOSED PACT COVERING 1974-76 ARE TO BE MADE IN JANUARY
 PROVIDED AGREEMENT ON TERMS AND CONDITIONS CAN BE REACHED
 (CANBERRA 5463). DISPUTING THE VERY POSITIVE TONE OF
 CAIRNS' STATEMENT TO THE PRESS, ANOTHER AUSTRALIAN COM-

MISSION SOURCE TOLD CONGENOFFS THAT LITTLE WAS ACCOMPLISHED
BY CAIRNS IN HIS TALKS WITH CHINESE LEADERS. CONFIDENTIAL

11. RECENT REPORTS ON ECONOMIC TOPICS

HK 8948 PROPOSED US-PRC EXCHANGE OF PLANT MATERIALS AND
ZOO ANIMALS

9022 US COTTON MERCHANT INVITED TO PEKING

9459 FAVORABLE EARLY INDICATIONS FOR PRC SOYBEAN CROP

9689 PRC TOUTS ITS EXPORTS, ADMITS NEED FOR IMPORTS

9728 PRC CY 1974 FERROUS SCRAP REQUIREMENTS

9738 PRC CALLS FOR OUSTER OF GRC FROM IBRD AND IMF

9788 THE PRC: AN OIL MISCELLANY

9840 PRC-AUSTRALIA TO SIGN \$450 MILLION WHEAT AGREE-
MENT

9984 PRC REPORTED PURCHASING US CORN AND CANADIAN
WHEAT

10056 PRC COMPLETE PLANT PURCHASES MAY TOP \$1
BILLION

10057 STATUS OF GENERAL ELECTRIC NEGOTIATIONS WITH
THE PRC ON POSSIBLE SALE OF POWER PLANTS

HK A-268 RE-EXPORTS OF CHINA ORIGIN GOODS TO THE UNITED
STATES THROUGH HONG KONG FOR THE PERIOD JANUARY
THROUGH JUNE 1973.

OSBORN

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PAGE 04 HONG K 10197 03 OF 03 110501Z

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Message Attributes

Automatic Decaptioning: X
Capture Date: 11 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CERP 0003
Control Number: n/a
Copy: SINGLE
Draft Date: 11 OCT 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: worrelsw
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973HONGK10197
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: n/a
From: HONG KONG
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731065/abqcefb1.tel
Line Count: 516
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
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Previous Handling Restrictions: n/a
Reference: CERP 0003
Review Action: RELEASED, APPROVED
Review Authority: worrelsw
Review Comment: n/a
Review Content Flags:
Review Date: 25 JUL 2001
Review Event:
Review Exemptions: n/a
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30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
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Secure: OPEN
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Subject: PEOPLE'S REPUBLIC OF CHINA ECONOMIC REVIEW 20
TAGS: ECRP, CH, XX
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